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S E C R E T PRAGUE 001363

SIPDIS

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TAGS: ETTC EZ KSTC PARM PREL PK

SUBJECT: CZECHS LICENSE A ONE-YEAR VERA SYSTEM LOAN TO  
PAKISTAN

REF: A. 04 PRAGUE 1235  
B. 04 STATE 212634  
C. 04 PRAGUE 1870  
D. PRAGUE 106  
E. PRAGUE 313  
F. PRAGUE 892  
G. PRAGUE 1104  
H. PRAGUE 1146  
I. PRAGUE 1252  
J. 04 PRAGUE 523

Classified By: Political-Military Officer Brian Greaney  
for reasons 1.4 (b) and (d)

1) (S) Czech News agency CTK late September 20 reported the Ministry of Industry and Trade has licensed a lease of the VERA passive surveillance system to Pakistan. This information is slightly different from that previously provided by GOCR sources, which maintained the proposed transfer was a one-year loan, rather than a lease. According to previous discussions with the MFA, the unit would have to be returned to the Czech Republic, even if Pakistan decides to purchase a system. A sale to Pakistan would require a new license application. A history of the circumstances surrounding this deal can be found in Refs A-I.

2) (S) While following up on the news story with the Ministry of Industry and Trade, Post learned that the license was quietly issued Sep 12th. The Ministry's head of licensing Sep 21st told us he was unhappy that the matter had become public. Under the Czech export-control system, the issuance of a license ends the Czech Governmental involvement in a deal, unless there are some conditions added to the license that require further government oversight. Examples of these would be inspections or proof that nonproliferation measures have been added to a system. The MFA had insisted that such conditions be part of any issuance of a license to Pakistan. Embassy Prague is seeking details of the final conditions that were imposed.

3) (S) In 2004, when the GOCR approved a license for the export of the VERA to China it took high level U.S. intervention to convince then PM Spidla to intervene and prevent the sale (REF J). That event was politically damaging to Spidla, despite the GOCR's public statement that the intervention was actually based on the EU's China arms embargo. PM Paroubek, facing elections next year, is not likely to be keen to block a Pakistan deal.

DODMAN